

## EXHIBIT M

### NOTICE TO ELIGIBLE BORROWER REGARDING POTENTIAL RECAPTURE TAX

Because you are receiving a mortgage loan from the proceeds of a tax-exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine years, this benefit may be recaptured.

The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Along with this notice, you are being given additional information that will be needed to calculate the recapture tax.

### NOTICE TO MORTGAGOR OF MAXIMUM RECAPTURE TAX AND OF METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME

#### A. INTRODUCTION.

1. General. When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. Exceptions. In the following situations, no recapture tax is due and you do not need to do the calculations:

- (a) You dispose of your home later than nine years after you close your mortgage loan;
- (b) Your home is disposed of as a result of your death;
- (c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code; or
- (d) You dispose of your home at a loss.

B. MAXIMUM RECAPTURE TAX. The Maximum Recapture Tax that you may be required to pay as an addition to your federal income tax is \$\_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. ACTUAL RECAPTURE TAX. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:

- (i) \$\_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the Maximum Recapture Tax, as described in paragraph B above),
- (ii) The Holding Period Percentage, as listed in Column I in the Table below, and
- (iii) The Income Percentage, as described in Paragraph D below.

D. INCOME PERCENTAGE. You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you received or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

#### E. LIMITATIONS AND SPECIAL RULES ON RECAPTURE TAX.

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in section 143(m)(4)(c)(ii) of the Internal Revenue Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. Section 143(m) of the Internal Revenue Code generally.

TABLE			
(Column 1)  Date that you sell your home	Holding Period Percentage	(Column 2) <u>Adjusted Qualifying Income</u> Number of Family Members Living in Your Home at the time of Sale	
		2 or Less	3 or More
Before the first anniversary of closing (see note below)	20%	\$ _____	\$ _____
On or after the first anniversary of closing, but before the second anniversary of closing	40%	\$ _____	\$ _____

On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$ _____	\$ _____
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$ _____	\$ _____
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$ _____	\$ _____
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$ _____	\$ _____
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$ _____	\$ _____
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$ _____	\$ _____
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$ _____	\$ _____

Note: Closing means the closing date for your loan.

The undersigned Mortgagor(s) hereby acknowledge receipt of this Notice.

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Date